OAKLAND UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 1998, through June 30, 2000



STEVE WESTLY
California State Controller

August 2003



STEVE WESTLY California State Controller

August 6, 2003

Dennis Chaconas, Superintendent Oakland Unified School District 1025 Second Avenue Oakland, CA 94606

Dear Mr. Chaconas:

The State Controller's Office (SCO) has completed an audit of the claims filed by the Oakland Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2000.

The district claimed and was paid \$312,804 for the mandated program. Our audit disclosed that none of the claimed costs are allowable. The unallowable costs occurred because the district was unable to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The total amount should be returned to the State.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

WALTER BARNES Chief Deputy State Controller, Finance

WB:kmm/jj

cc: (see page 2)

cc: Phillip D. White

Deputy Superintendent

Oakland Unified School District

Gloria Gamblin

Chief Financial Officer

Oakland Unified School District

Sheila Jordan

County Superintendent of Schools

Alameda County Office of Education

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Department of Finance

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School Apportionment Specialist

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Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Oakland Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2000. The last day of fieldwork was March 14, 2003.

The district claimed and was paid \$312,804 for the mandated program. The audit disclosed that none of the claimed costs are allowable because the district was unable to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The total amount should be returned to the State.

Background

In 1983, the State enacted Chapter 498, Statutes of 1983, requiring that special notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

The legislation requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of: (1) the pupil's truancy; (2) the parent's or guardian's obligation to compel the attendance of the pupil at school; and (3) a warning that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution.

In addition, the legislation requires the district to inform parents and guardians of: (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts and county offices of education reimbursable under Government Code Section 17561.

Parameters and Guidelines, adopted by the Commission on State Mandates, establishes the state mandate and define criteria for reimbursement. In compliance with Government Code Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement, to assist school districts and local agencies in claiming reimbursable costs.

Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2000.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the Finding and Recommendation section of this report and in the accompanying Summary of Program Costs (Schedule 1).

For the audit period, the Oakland Unified School District claimed and was paid \$312,804 for costs of the legislatively mandated Notification of Truancy Program. The audit disclosed that none of the costs is allowable.

Views of Responsible **Official**

The SCO issued a draft report on May 30, 2003. Sheri Gamba, Fiscal Services Officer, responded by letter dated June 20, 2003, disagreeing with the audit results. The district's response is included as an attachment to this final audit report.

Restricted Use

This report is solely for the information and use of the Oakland Unified School District, the Alameda County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD Chief, Division of Audits

Finding and Recommendation

FINDING— Overclaimed number of initial truancy notification forms distributed

The district was not able to support any of the claimed costs for initial truancy notification forms distributed to a pupil's parent or guardian, totaling \$312,804 for the period of July 1, 1998, through June 30, 2000 (\$221,996 for fiscal year (FY) 1998-99 and \$90,808 for FY 1999-2000).

In its claims, the district identified, by school site, the total number of initial truancy notification forms distributed. However, the district was unable to provide any documentation supporting how the claimed number of initial truancy notifications was determined. Further, the district was unable to reconcile the claimed truancies to the students who were identified as truant on its Attendance Accounting System. The variances are as follows:

	Numb	Number of Notifications		
	Fisc	Fiscal Year		
	1998-99	1999-2000	Total	
Truancies per district's accounting system (four or more unexcused absences) Truancies claimed	18,087 15,572	20,994 18,244	39,081 33,816	
Variance	2,515	2,750	5,265	

The auditors attempted to randomly sample 51 of the 77 school sites, totaling 66%, in FY 1998-99 and 52 of the 80 school sites in FY 1999-2000, totaling 65%, that claimed initial truancy notifications that were distributed to a pupil's parent or guardian. However, the district was not able to provide documentation supporting any of the claimed initial truancy notifications. Therefore, the entire claimed number of initial truancy notification is unsupported and thus unallowable.

The district agreed that it was unable to substantiate the claimed number of initial truancy notification forms distributed. The district representatives noted that they are in the process of implementing a new procedure to notify a pupil's parent or guardian of initial truancy. The new process includes an automated process whereby the district's attendance accounting system, upon a pupil's initial classification as a truant, will automatically generate a letter (Z-Copy). In lieu of hard copies, the list of pupil's names will be maintained for audit purposes. In addition, a separate postage meter will be maintained as evidence of postage for the notifications.

Parameters and Guidelines, adopted by the State Board of Control (now the Commission on State Mandates) on November 29, 1984, allows the district to be reimbursed for claimed costs if the initial truancy notification form distributed to the pupil's parent or guardian contains five specific elements. Education Code Section 48260.5 was amended by Chapter 1023, Statutes of 1994, (effective January 1, 1995) to require eight specific elements. However, since Parameters and Guidelines has not been amended, the claimant continues to be reimbursed if it complies with the five specific elements in the guidelines.

Parameters and Guidelines, Section I., requires "... school districts,

upon the pupil's initial classification as a truant, to notify the pupil's parent or guardian, by first-class mail or other reasonable means, of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of part 27." Furthermore, the guidelines state that the "...district must inform parents and guardians of (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy."

Parameters and Guidelines, Section V.A., states, "The eligible claimant shall be reimbursed for only those costs incurred for . . . the printing and distribution of notification forms. . . . "

Parameters and Guidelines, Section V.B.1., states that the claimant shall be reimbursed for "Planning the method of implementation, revising school district policies, and designing and printing the forms."

Parameters and Guidelines, Section V.B.2., states that the claimant shall be reimbursed for "Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . . "

Parameters and Guidelines, Section V.C., states, "The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to Education Code Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator."

Parameters and Guidelines, Section VII., states, "For audit purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . . "

Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that initial truancy notifications claimed are supported and contain all required elements. Although Parameters and Guidelines allows the district to be reimbursed for notification forms containing only five specified elements, the district should comply with Education Code Section 48260.5, which requires the form to contain eight specified elements.

The district's planned notification procedure relating to the use of a Z-Copy letter appears to sufficient to meet the documentation requirements. However, the district must be able to support that the letter contains all required elements and is distributed upon the pupil's initial truancy in a timely manner.

Auditee's Response

There are major differences between the SCO and the District with regards to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review, the SCO believes they cannot verify and count the notification. The District believes it is unrealistic to maintain every letter sent by mail with a district the size of Oakland. In addition, what proof is there that the letter was mailed, faxed, read over the phone or hand delivered. The parameters and guidelines indicate first class mail or other means. This opens up the interpretation to mean other methods of notifying parents or guardian of the initial truancy notification such as by phone or home visit.

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII, A) that the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. Of the three truancy centers in operation at the time these letters were prepared, it was determined that two truancy centers information was not available. However, one truancy center was available for review.

The auditors are incorrect in saying the district was unable to provide documentation supporting any of the claimed initial truancy notifications. There were letters to review in the one truancy center.

The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

The District does not believe that the information on the Notification of Truancy claims is incorrect.

We appreciate your giving us the opportunity to respond to this draft audit report. We are asking that you exercise caution, flexibility and reasonableness in assessing the situation, in light of the already bleak economy that the school district is facing.

SCO's Comments

The finding and recommendation remain unchanged.

The district did not provide any additional documentation to support the unallowable costs. The following SCO comments are presented in the order presented in the district's response.

The SCO did not limit the notification method to first class mail. Instead, the SCO allowed notification forms (letters) distributed by other reasonable means, such as overnight mail, certified mail, etc. Parameters and Guidelines, Sections V.A., V.B.1., and V.B.2, allows a district to be reimbursed a specific amount for every initial truancy notification form

(letter) distributed to a pupil's parent or guardian that contains five specified elements identified in Parameters and Guidelines.

Telephone calls and home visits are not reimbursable. Nevertheless, the SCO auditors reviewed the records made available to them to gain an understanding of the district's process of notifying a pupil's parent or guardian of the five required elements. The review of these records did not support that the required elements were discussed with a pupil's parent or guardian.

There were three truancy centers during the audit period. However, these centers had been closed and the attendance information and student documents for all three centers were consolidated at the district's Student Attendance Review Board (SARB) location. We reviewed documents retained at the SARB location. The documents did not support that notifications were issued for a pupil's initial truancy. In addition, the district's coordinator and its consultant advised us that the district does not have documentation to substantiate any of the claimed number of initial truancy notifications distributed to the pupil's parent or guardian.

As previously discussed, documents made available by the district did not support that initial truancy letters were distributed to a pupil's parent or guardian. In addition, the number of truancies claimed during the audit period was not substantiated by the district's records. The district was unable to reconcile the claimed truancies to the individual pupils who were identified as truant on its Attendance Accounting System. The conclusion reached in the finding is based on a review of all information made available by the district.

Schedule 1— **Summary of Program Costs** July 1, 1998, through June 30, 2000

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
July 1, 1998, through June 30, 1999			
Number of notifications Uniform cost allowance	18,974 \$ 11.70	<u> </u>	(18,974) \$ 11.70
Total costs Less amount paid by the State	\$ 221,996	(221,996)	\$(221,996)
Allowable costs claimed in excess of (less than) amount paid		\$(221,996)	
July 1, 1999, through June 30, 2000			
Number of notifications Uniform cost allowance	7,425 \$ 12.23	\$ 12.23	(7,425) \$ 12.23
Total costs Less amount paid by the State	\$ 90,808	(90,808)	\$ (90,808)
Allowable costs claimed in excess of (less than) amount paid		\$ (90,808)	
Summary: July 1, 1998, through June 30, 2000			
Total costs Less amount paid by the State Allowable costs claimed in excess of (less than) amount paid	\$ 312,804	\$ — (312,804) \$(312,804)	\$(312,804)
Allowable costs claimed in excess of (less thail) allount paid		$\phi(312,004)$	

¹ See the Finding and Recommendation section.

Attachment— Auditee's Response to Draft Audit Report



June 20, 2003

Jim L. Spano, Chief Compliance Audit Bureau State Controller's Office Division of Audits Post Office Box 942850 Sacramento, California 94250-5874

Re: Response to Draft Audit Report (Notification of Truancy Program FY 1998-2000)

Dear Mr. Spano:

We have received the draft report of your audit on claims filed by the Oakland Unified School District (District) relating to the mandated Notification of Truancy Program (NOT) for the period of July 1, 1998 through June 30, 2000.

The district claimed \$312,804 for the mandate program. The audit disclosed that none of the claimed costs were allowable. The SCO stated in the report that the unallowable costs occurred primarily because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. This disallowance is based on one audit finding.

Finding 1 - Unsupported initial truancy notification forms for a total cost of \$312,804.

There are major differences between the SCO and the District with regards to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review, the SCO believes they cannot verify and count the notification. The District believes it is unrealistic to maintain every letter sent by mail with a district the size of Oakland. In addition, what proof is there that the letter was mailed, faxed, read over the phone or hand delivered. The parameters and guidelines indicate first class mail *or other means*. This opens up the interpretation to mean other methods of notifying parents or guardian of the initial truancy notification such as by phone or home visit.

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII, A) that the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. Of the three truancy centers in operation at the time these letters were prepared, it was determined that two truancy centers information was not available. However, one truancy center was available for review.

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The District does not believe that the information on the Notification of Truancy claims is incorrect.

We appreciate your giving us the opportunity to respond to this draft audit report. We are asking that you exercise caution, flexibility and reasonableness in assessing the situation, in light of the already bleak economy that the school district is facing.

Sincerely,

Sheri Gamba

Fiscal Services Officer

Cc Anthony Bridges, FCMAT Gloria Gamblin, OUSD

Chris Prasad, SCO

John Conshafter, MCS education services

State Controller's Office Division of Audits Post Office Box 942850 Sacramento, California 94250-5874

http://www.sco.ca.gov